



# Millennium Challenge Corporation

Reducing Poverty Through Growth

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John J. Danilovich  
Chief Executive Officer

December 16, 2005

His Excellency Robert Kocharyan  
President of the Republic of Armenia  
Yerevan

Dear Mr. President:

I am pleased to inform you that the Millennium Challenge Corporation (MCC) Board has approved the Millennium Challenge Compact with the Republic of Armenia. This approval underscores the commitment of the U.S. Government to the people of Armenia and our commitment to reducing poverty through economic growth. We commend the efforts of the Millennium Challenge Account (MCA)-Armenia transaction team in successfully bringing the Compact proposal to this stage.

I must, however, inform you that the delay in the MCC Board's decision was a direct result of concerns raised regarding the conduct of the November 27 constitutional referendum, including, but not limited to, allegations of fraud, electoral mismanagement, mistreatment of individuals from opposition political parties and uneven access to the media.

During discussions hosted in parallel with the U.S.-Armenia Task Force on Economic Cooperation in September 2005, MCC indicated that international monitoring groups had raised concerns on a broad range of issues including political rights, access to the media and political freedoms in Armenia. MCC informed your government that Armenia had slipped on two of the indicators within MCC's "Ruling Justly" category. MCC further informed your government that progress in this area was necessary to avoid either suspension or termination—actions that, per MCC policy, can be initiated even after a Compact is signed and in the implementation stage. The events surrounding the referendum cause us to question whether this progress is being made. We await your government's actions demonstrating a strong desire to improve performance in accord with the requirement that MCA-eligible countries maintain policy performance consistent with MCC selection criteria.

We believe that corrective steps should be taken to demonstrate the Armenian government's commitment to the fundamental principles underpinning Armenia's eligibility for MCA assistance. The MCC Board is engaged on this issue and we will seek their assessment of any actions taken. The following are examples of the type of measures that would provide the MCC Board with some assurance of this commitment.

His Excellency Robert Kocharyan

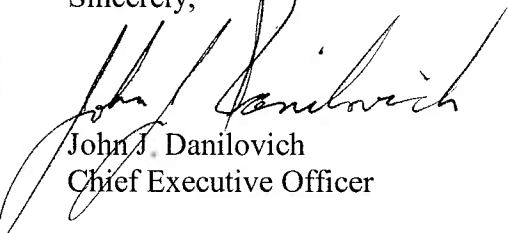
December 16, 2005

Page 2

- Assurance that the government will respect the rights of citizens to open political debate, lawful public protest and access to information from independent media and other sources;
- Acknowledgement of the numerous allegations made concerning the November 27 constitutional referendum and a high-level public commitment to investigate fully and to take appropriate measures against individuals involved in any wrongdoing; and
- Commitment to cooperate fully with civil society, international organizations, and the donor community to improve the fairness and transparency of the political and electoral process in Armenia in advance of the 2007-2008 parliamentary and presidential elections.

I want to reiterate MCC's broader concerns about the Government of Armenia's commitment to good governance and stress the need for progress in addressing the concerns raised by MCC in September 2005, consistent with the MCA eligibility criteria. MCC representatives and our Embassy in Yerevan will continue to be in close contact with your government as we continue to bring this Compact closer to implementation.

Sincerely,



John J. Danilovich  
Chief Executive Officer